

Message Text

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DRAFTED BY EUR/SE:RRDELABARRE:VSS

APPROVED BY EUR/SE:NCLEDSKY

EUR/SE:RCEWING

AID/GC/NESA:RBMEIGHAN

L/EUR:JWILLIS

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R 230245Z OCT 76

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: EAID, TU

SUBJECT: AID 50/50 SHIPPING REFUND CLAIM AGAINST TURKEY

1. AID HAS REQUESTED THE DEPT'S OPINION ON PURSUING A CLAIM AGAINST TURKEY AMOUNTING TO \$5,618,058 FOR FAILURE TO SHIP AT LEAST 50 PERCENT OF AID LOAN FINANCED GOODS VIA U.S. VESSELS UNDER LOANS 277-H-091 AND 092.

2. IN THE PAST AID HAS BEEN ABLE TO MAKE UP 50/50 DEFICITS FOR A RECIPIENT COUNTRY IN SUCCEEDING LOANS BUT NO MORE AID LOANS ARE SCHEDULED FOR TURKEY. IN SOME INSTANCES SHIPPING SURPLUSES FROM OTHER COUNTRIES IN THE SAME REPORTING REGION HAVE BEEN USED TO BALANCE OUT A DEFICIT FOR A GIVEN COUNTRY IN A GIVEN FISCAL YEAR. HOWEVER, IN FY 72 BOTH PAKISTAN AND TURKEY WERE IN SUBSTANTIAL DEFICIT MAKING THE REGION AS A WHOLE BELOW 50 PERCENT IN TERMS OF SHIPMENTS IN U.S. VESSELS FOR AID-FINANCED TRANSACTIONS. BOTH PAKISTAN AND TURKEY WERE

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GIVEN THE OPPORTUNITY TO MAKE UP THEIR DEFICITS IN

SUCCESSING LOANS, BUT ONLY PAKISTAN SUCCEEDED BY 1975. TURKEY REMAINS IN DEFICIT BECAUSE NO NEW LOANS ARE BEING OFFERED. TURKEY'S OVERALL COMPLIANCE RECORD HAS BEEN GOOD, HOWEVER, WITH SEVEN OUT OF THE LAST TEN PROGRAM LOANS AND ELEVEN OUT OF THE LAST TWELVE PROJECT LOANS

SHOWING 50 PERCENT UTILIZATION OF U.S. SHIPPING OR HIGHER.

3. SINCE AID CANNOT RESOLVE TURKEY'S DEFICIT BY THE MEANS DESCRIBED ABOVE, IT WOULD NORMALLY ISSUE A BILL OF COLLECTION FROM THE AMOUNT AGAINST TURKEY. AID IS AWARE, HOWEVER, THAT PURSUIT OF THIS CLAIM AGAINST TURKEY MAY WORK AGAINST THE FOREIGN POLICY INTERESTS OF THE USG. AID CANNOT MAKE THAT DETERMINATION ITSELF AND THEREFORE HAS REQUESTED AN OPINION FROM THE DEPT. PRIOR TO RENDERING SUCH AN OPINION, DEPT WOULD WELCOME EMBASSY VIEWS REGARDING THE IMPACT PURSUIT OF A CLAIM FOR \$5,618,058 WOULD HAVE ON US RELATIONS WITH TURKEY. IF WE DECIDE NOT TO PRESS THIS CLAIM, WE WOULD NOT EXPECT TO RAISE IT AT ALL WITH THE TURKS. HOWEVER, WE MIGHT CONSIDER POSSIBLE TRADE-OFFS TO OFFER TO THE TURKS IN LIEU OF PURSUING THE CLAIM IF WE DO DECIDE TO BRING THE MATTER TO THEIR ATTENTION. EMBASSY VIEWS ON LATTER APPROACH WOULD ALSO BE APPRECIATED. KISSINGER

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